

GREENHOUSE GAS REGULATIONS FOR EXISTING POWER PLANTS

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CRERES Board Meeting

Discussion Topics

- Legal history of GHG policies
- Overview of proposed GHG rules under Section 111(d) of the Clean Air Act
- HB 388

Court Actions Leading to CAA Section 111 Rulemakings

- 2007 Supreme Court Ruling – *Massachusetts vs. EPA*
- December 2009 – Endangerment Finding
- May 2010 – GHG Light-Duty Vehicle Rule
- June 2010 – GHG Tailoring Rule
- June 2012 – Court of Appeals for D.C. Circuit rejects petitioners' claims (against EPA's endangerment finding and its Light Duty and Tailoring Rules) and upholds all EPA actions.
- June 23, 2014—Supreme Court decision on Tailoring Rule—implications unclear, but upholds EPA authority to regulate GHGs under the Clean Air Act.

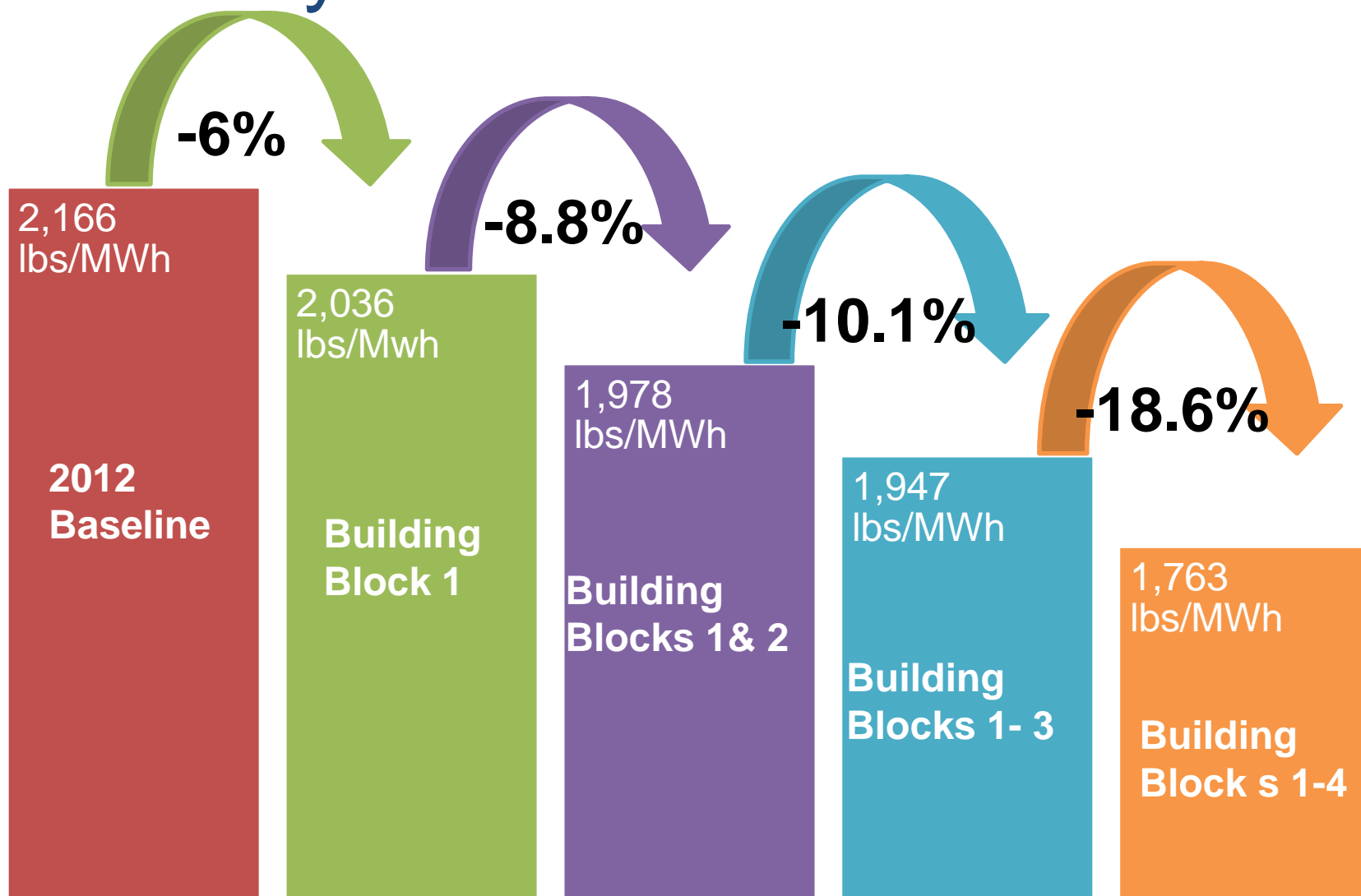
Relevant Rulemaking Dates

- **June 2, 2014** – EPA issued proposed rules for existing sources under CAA Section 111(d).
- **October 27, 2014** – Notice of Data Availability issued.
- **December 1, 2014** - Extended comment deadline for Section 111(d).
- **June 1, 2015** – EPA will issue final rules for existing, new and modified/reconstructed sources.
- **June 30, 2016** – Deadline for states to submit Section 111(d) implementation plans for existing sources.

Features of Proposed 11(d) Existing Source Rule

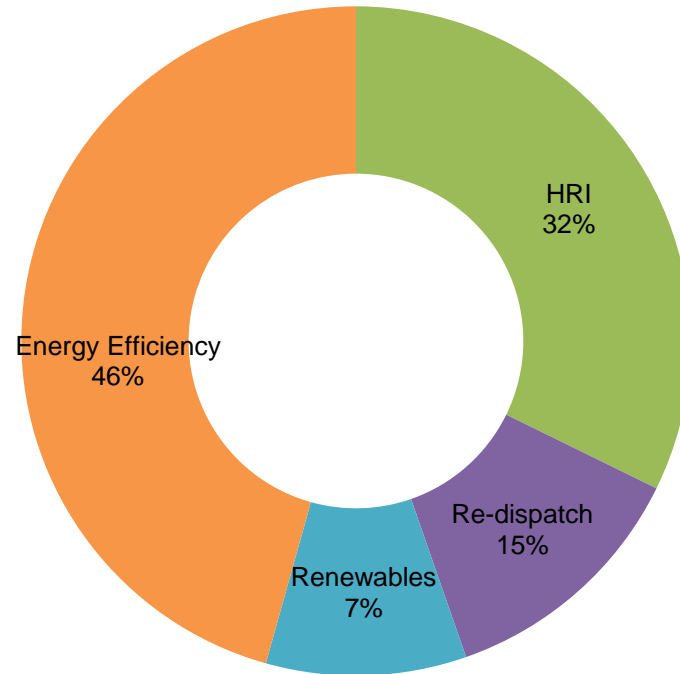
- Targets set using a combination of efficiency gains at the power plant, raising capacity of existing NGCC, renewables/nuclear and energy efficiency (i.e. Building Blocks 1-4).
- Emissions targets, expressed as statewide fleet averages, vary among the states.
- Proposed Kentucky Statewide Fleet Average:
 - 1844 lbsCO₂/MWh – Interim Goal 2020-2029
 - 1763 lbsCO₂/MWh – Final Goal 2030
- The rule establishes guidelines plan development.
- Allows a range of options (including multi-state approaches; energy efficiency; and fuel switching such as natural gas, nuclear, and renewables) for compliance.

Kentucky Rate Reductions from 2012



Breakdown of the Building Blocks Reductions

2166 lbs/MWh - 403 lbs/MWh = 1763 lbs/MWh



Potential 111(d) Comment Topics

- Economic Implications and Impacts
- Meeting Kentucky's State-Specific Goal
- Needed Clarification of Rule Components
- Unintended Consequences
- Needed Flexibility

HB 388

- Unanimously passed during the 2014 General Session
- Limits state plan to cost-effective efficiency gains at the plant (e.g. turbine or boiler upgrades)
- Prohibits fuel switching
- Prohibits co-firing other fuels with coal
- Prohibits limiting utilization of the EGU
- Requires separate coal and natural gas categories

Where Are We Today?

- Considerable clarification from EPA is still necessary on many aspects of the proposed 111(d) rule.
- EEC has met 23 stakeholder groups, including IOUs, co-ops, KAM, KY Chamber, individual companies and environmental groups.
- EEC is working toward meeting the December 1, 2014 comment deadline.